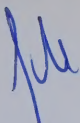


*CanCorp*









C&C Yachts Limited  
10 Front Street South Port Credit Ontario

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#### WHOLLY OWNED SUBSIDIARIES

C&C Yachts Manufacturing Limited  
C&C Yacht Sales Ontario Limited

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#### DIRECTORS & OFFICERS

Taylor, Alan F B.	Chairman of the Board and Director
Cuthbertson, George H.	President and Director
Bruckmann, Erich K L.	Vice-President and Director
Hinterhoeller, George A.	Vice-President and Director
Lewis, Clifford W.	Director
Hyde, Christopher D.	Director
Sale, Robert R.	Director
Brinsmead, Gordon W.	Vice-President
Edwards, Moray C.	Vice-President
<del>Gray, John S.</del>	<del>Secretary-Treasurer</del>

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#### AUDITORS

Messrs. Coopers & Lybrand  
Chartered Accountants 145 King St. W., Toronto, Ontario

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#### LEGAL COUNSEL

Messrs. Miller, Thomson, Sedgewick, Lewis & Healy  
7 King St. E., Toronto, Ontario

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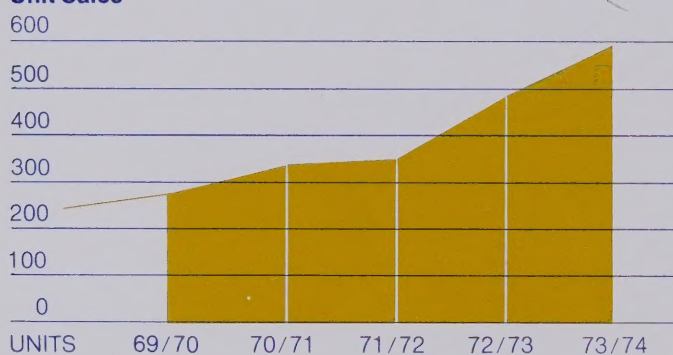
#### TRANSFER AGENT & REGISTRAR

Royal Trust Company, Toronto & Montreal

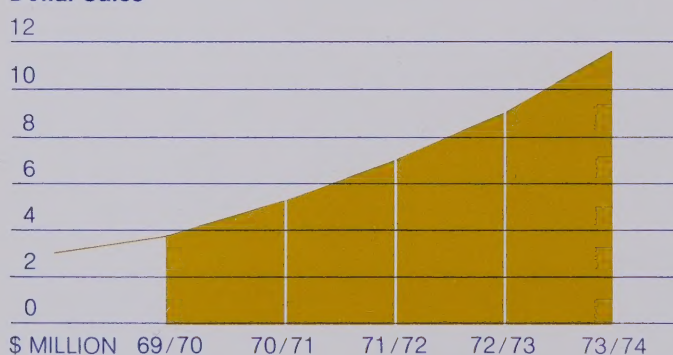
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# Report of the president to the shareholders

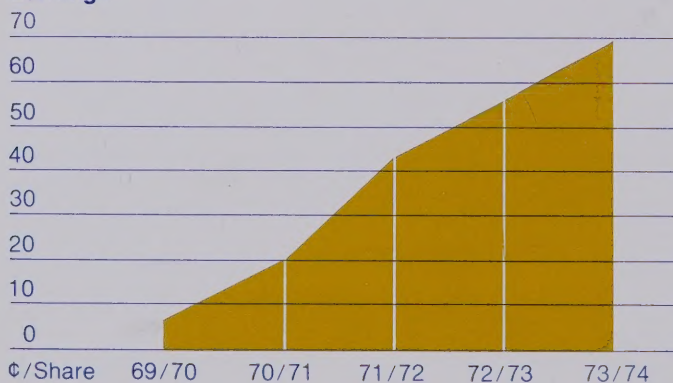
## Unit Sales



## Dollar Sales



## Earnings



## Financial

In this our 5th Annual Report, it is interesting to review the progress of C&C Yachts Limited since inception in 1969, assess our position today, and attempt to gain a glimpse of the future.

The charts illustrate the 5-year growth in sales and earnings and progress relative to the shareholder's investment reads:

### Net Earnings/Shareholders Equity

69/70	70/71	71/72	72/73	73/74
1.79%	4.92%	10.06%	11.82%	13.23%

Major investments in fixed assets which were undertaken during 1973 were substantially completed during the early part of 1974. The decrease in capital acquisition this year enabled the company to increase its working capital by 50%.

1970	1971	1972	1973	1974
\$676,392	796,752	959,312	802,731	1,203,829

Throughout the years C&C Yachts Limited has consistently out-performed the industry and 1974 was no exception and early apprehensions gave way to booming sales. 30% increase was again achieved as sales totalled almost 12 million dollars and, although part of the gain was inflationary, ie. the result of pricing, most was real growth, evidenced by 20% increase in number of units sold.

With sales remaining buoyant, attention throughout the first half was focused on threatened supply shortages, which partially materialized resulting in longer lead times and substantial inventory build-up. As purchasing effectively dealt with the situation, it was possible to maintain full production throughout. However unprecedented cost increases were experienced, particularly through the second and third quarters and reaction in our pricing had to be rapid and substantial in order to maintain budgeted margins.

The results were a gain in earnings from 54¢ to 69¢ per share, retained earnings increased from 1.10 million dollars to 1.66 million, and ratio of current assets to current liabilities rose to 1.48. A dividend of 10¢ per share was paid.

—Comprehensive review of the company's insurance program was undertaken and completed. Coverage is very complex due to the variety of operations and the result was consolidation and placement through one major agency which achieved improved protection at little additional cost.

—Research and development budgets have been formalized and increased to ensure C&C Yachts continued technical leadership. Notable are advanced studies and workshop projects on sophisticated moulding techniques and a senior member from the Design Group has been seconded for a year



to the National Research Council Hydraulics Laboratory in Ottawa to help develop superior tank testing techniques.

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**Production Division**—Construction of new spar shop in 1973 and development shop which was occupied early in 1974 freed considerable main plant capacity which made possible the increase in units shipped in the year from 480 to 571. Further capacity has now been added with the lease of 8500 sq. ft. facility in Niagara Falls which will be committed to small boat production including new models now under development.

On June 13, the United Brotherhood of Carpenters and Joiners of America was certified as the bargaining agent for our production employees and excellent relations have been enjoyed. This assures stability by contract to July 31, 1975 and labour efficiency and skill as high as ever.

Five years have elapsed since C&C 35 met with market acclaim and went on to become the definitive medium racer/cruiser in North America and herald the highly successful range of 25, 27, 30, 35 and 39. The new C&C 33 made its debut in the fall and met with similar acclaim, hence the decision to continue to add capacity to Production division in anticipation of demand for new product line.

**Custom Division**—Although the number of yachts built (16) was greater than the previous year, the average size declined sharply after completion of those orders on hand at the beginning of the year and this disappearance of the "big boat" market was evident throughout the industry, doubtless a reflection of the times. Although no real growth occurred, the division nevertheless operated profitably. Plans for new plant construction on the Speers Rd. site continue to be shelved and immediate requirements are being covered with 4,000 sq. ft. addition to existing premises which will be occupied early in 1975. Initial use of the added space will be for major modifications and reconstructions of existing yachts, many owners evidently having decided to follow this route rather than undertake new "big boat" investment.

**European Division**—With the unsettling state of European economic affairs, project for a European production facility had to be halted in June.

The Oy Baltic Yacht Ab project is ongoing and on schedule and the first C&C 46 was exhibited at Hamburg Boat Show and committed to a Norwegian owner, a second having been sold to a U.S. buyer. Balance sheet item of 186,000 dollars refers to deposits against C&C 46 construction.

Follow up to this project will be a C&C 33 program which will provide European division with sufficient product to establish dealership network in anticipation of eventually proceeding with the intended C&C Yachts plant.

Production by independent builders in England and Austria continues to augment C&C Yachts royalty income.

**Design Division**—Primary activity was new model development for Production division, for Oy Baltic and for other outside builders. These designs, now beginning to appear on the market, are already having impact, notably C&C 33 and  $\frac{3}{4}$  Ton, and C&C 46.

Work commenced in midsummer on a new Canada's Cup contender for the 1975 challenge and this yacht, plus several other specials, will be under construction in Custom division early in the new year.

**Ontario Retail Division**—With more product available from Production division, Ontario Retail enjoyed its best year to date and added 70% to gross sales which reached 3.5 million dollars. Although the intercompany portion disappears on consolidation (see notes to consolidated financial statements), this strength in the home market is worthy of note as is the fact that over 1 million derived from sources other than C&C production, ie. used boat sales, distributorship for Boston Whaler, Laser sales, etc.

The development of a well-staffed and well-equipped service department is consistent with company policy to further develop Ontario Retail in a broad and varied role.

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## Future

A year ago purchasing bore the heavy burden of keeping production humming. This year the burden appears likely to fall on marketing. Year-end increase in bank indebtedness was caused by higher inventories, higher receivables, and lower customer's deposits. These factors combine to suggest that last year's sales apprehensions may be valid this year. However, return to some measure of pricing stability is anticipated, costs having substantially levelled through the last quarter and the beginning of the new fiscal year.

With some evidence that the worst of price escalations is behind us, marketing's task will be greatly aided by new products now becoming available and others in various stages of development. With a view to the future, expansion of dealer network into new market areas is underway and at this writing production continues at a high level.

While major plant developments have had to be delayed, modest increases in capacity have, as noted, been undertaken in all divisions and we look forward to the challenge of 1975 with confidence.

Submitted by George H. Cuthbertson, President.

**C&C Yachts Limited and subsidiary companies**

**Consolidated balance sheet as at September 30, 1974**

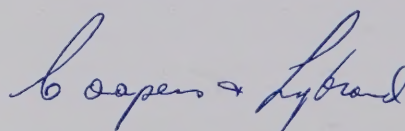
ASSETS	1974	1973
<b>CURRENT ASSETS</b>		
Cash and short-term deposits	\$ 2,412	\$ 84,473
Accounts receivable (note 4)	858,492	495,746
Income taxes recoverable	—	11,315
Inventories (notes 1c and 2)	2,613,843	2,094,649
Deposits on yachts under construction	186,000	—
Prepaid expenses	33,396	24,762
	3,694,143	2,710,945
<b>FIXED ASSETS (notes 1d and 3)</b>	2,107,228	1,969,576
<b>EXCESS OF COST OF SHARES IN SUBSIDIARY COMPANIES OVER NET BOOK VALUE AT DATE OF ACQUISITION</b>	2,492,992	2,492,992
	8,294,363	7,173,513

**AUDITORS' REPORT TO THE SHAREHOLDERS**

November 19, 1974

We have examined the consolidated balance sheet of C & C Yachts Limited and subsidiary companies as at September 30, 1974 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at September 30, 1974 and the results of their operations and changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

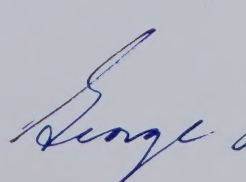
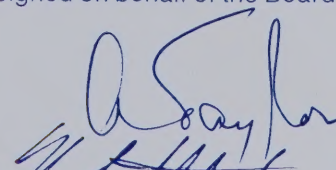


Chartered Accountants



LIABILITIES	1974	1973
CURRENT LIABILITIES		
Bank indebtedness—secured (note 4)	\$1,516,989	\$ 799,559
Accounts payable and accrued liabilities	737,240	631,374
Deposits from customers	130,101	346,785
Income taxes payable	103,488	—
Mortgages payable	2,496	130,496
	2,490,314	1,908,214
LONG-TERM DEBT		
Bank loan—secured, less current portion of \$100,000 (note 4)	125,000	225,000
7½% mortgage loan due 1979, less current instalments of \$2,496	8,320	10,816
	133,320	235,816
DEFERRED INCOME TAXES	144,500	65,100
	2,768,134	2,209,130
SHAREHOLDERS' EQUITY		
CAPITAL STOCK		
Authorized—2,000,000 shares without par value		
Issued and fully paid—950,000 shares	3,864,770	3,864,770
RETAINED EARNINGS	1,661,459	1,099,613
	5,526,229	4,964,383
	8,294,363	7,173,513

Signed on behalf of the Board

Director

Director

# Consolidated statements of earnings and retained earnings

## For the year ended September 30, 1974

## STATEMENT OF EARNINGS

	1974	1973
SALES	\$11,752,740	\$9,070,575
COST OF SALES	9,280,029	7,295,183
GROSS PROFIT	2,472,711	1,775,392
SELLING AND ADMINISTRATIVE EXPENSES	1,310,765	848,579
	1,161,946	926,813
PROVISION FOR INCOME TAXES	505,100	410,457
EARNINGS BEFORE EXTRAORDINARY ITEM	656,846	516,356
EXTRAORDINARY ITEM Gain on sale of investment	—	16,630
NET EARNINGS FOR THE YEAR	656,846	532,986
EARNINGS PER SHARE BASED ON THE SHARES OUTSTANDING AT SEPTEMBER 30, 1974:		
Earnings before extraordinary item	69 cents	54 cents
Net earnings for the year	69 cents	56 cents

## STATEMENT OF RETAINED EARNINGS

BALANCE—BEGINNING OF YEAR	\$1,099,613	\$ 642,627
Net earnings for the year	656,846	532,986
	1,756,459	1,175,613
Dividend	95,000	76,000
BALANCE—END OF YEAR	1,661,459	1,099,613



# Consolidated statement of changes in financial position

## For the year ended September 30, 1974

SOURCE OF FUNDS	1974	1973
Provided from operations—		
Net earnings for the year	\$ 656,846	\$ 532,986
Items not affecting working capital—		
Depreciation and amortization	272,656	254,441
Deferred income taxes	79,400	65,100
Profit on sale of investment	—	(16,630)
	1,008,902	835,897
Proceeds from sale of investment	—	16,730
	1,008,902	852,627
USE OF FUNDS		
Purchase of fixed assets (net)	410,308	830,712
Mortgage instalments	2,496	2,496
Repayment of term bank loan	100,000	100,000
Dividend	95,000	76,000
	607,804	1,009,208
INCREASE (DECREASE) IN WORKING CAPITAL	401,098	(156,581)
WORKING CAPITAL—BEGINNING OF YEAR	802,731	959,312
WORKING CAPITAL—END OF YEAR	1,203,829	802,731

# Notes to consolidated financial statements

## For the year ended September 30, 1974

### 1. ACCOUNTING POLICIES

The following is a summary of the significant accounting policies followed by the company:

a) Principles of consolidation

The consolidated financial statements include the operations of the wholly-owned subsidiary companies. In consolidation, all material intercompany accounts and transactions are eliminated.

b) Foreign exchange

Assets and liabilities in foreign currencies have been translated at the approximate rates of exchange prevailing at September 30, 1974. Income and expenses have been translated at the average rate of exchange in effect during the year.

c) Inventory valuations

Finished yachts and yachts in process have been valued at the lower of standard cost or net realizable value.

Raw materials and supplies have been valued at the lower of cost or replacement cost with cost determined on the first-in, first-out basis.

d) Depreciation and amortization

The policy of the company is to amortize the cost of its buildings, machinery and equipment over their estimated useful lives by annual charges to operations using the reducing balance method at the following rates:

Buildings	5 percent
Machinery and equipment	20 percent
Automotive equipment	30 percent

Mould costs are being amortized to operations over the estimated marketing life of the model.

e) Research and development

The policy of the company is to charge research and development expenditures to income as incurred.

### 2. INVENTORIES

1974

1973

Inventories are classified as follows:

Finished yachts	\$ 492,840	\$ 542,360
Yachts in process	468,384	265,809
Raw materials and supplies	1,652,619	1,286,480
	2,613,843	2,094,649



### 3. FIXED ASSETS

Fixed assets and related accumulated depreciation comprise the following:

	1974		1973	
	Cost	Accumulated depreciation	Net	Net
Land	\$ 489,518	\$ —	\$ 489,518	\$ 488,800
Buildings	1,276,593	235,584	1,041,009	986,764
Machinery and equipment	466,402	226,278	240,124	215,302
Moulds	560,953	224,376	336,577	278,710
	2,793,466	686,238	2,107,228	1,969,576

### 4. BANK INDEBTEDNESS

The bank indebtedness and bank loan are secured by a general assignment of book debts and a floating charge debenture over the assets of the company and its subsidiary companies.

### 5. STATUTORY INFORMATION

The following amounts are included in the statement of earnings:

	1974	1973
Remuneration paid by the company and its subsidiary companies to the directors and senior officers (as defined by the Business Corporations Act)	\$ 184,957	\$ 158,454
Depreciation	272,656	254,441



**C & C ¾ Ton, built by the Custom Division, is aimed at the growing interest in level rating racing.  
She is the all out racing version of the C & C 33, built by the Production Division.**

